REPORT ON EXAMINATION

OF

METLIFE INVESTORS USA INSURANCE COMPANY

AS OF

DECEMBER 31, 2006

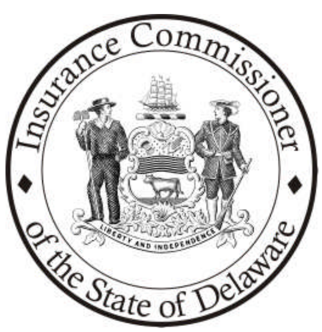
I, Matthew Denn, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of DECEMBER 31, 2006 of the

METLIFE INVESTORS USA INSURANCE COMPANY

is a true and correct copy of the document filed with this Department.

ATTEST BY: Antoinette Handy

DATE: 24 JUNE 2008



In Witness Whereof, I HAVE HEREUNTO SET MY HAND AND AFFIXED THE OFFICIAL SEAL OF THIS DEPARTMENT AT THE CITY OF DOVER, THIS 24TH DAY OF JUNE 2008.

Insurance Commissioner

REPORT ON EXAMINATION

OF THE

METLIFE INVESTORS USA INSURANCE COMPANY

AS OF

December 31, 2006

The above captioned Report was completed by examiners of the Delaware Insurance Department.

Consideration has duly been given to the comments, conclusions, and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted, and filed as an official record of this Department.

MATTHEW DENN
INSURANCE COMMISSIONER

DATED this 24TH Day of JUNE 2008.

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May 9, 2008

SALUTATION

Honorable Alfred W. Gross
Chairman Financial Condition (E)
Committee, NAIC
State Corporation Commission
Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218

Honorable Merle D. Scheiber
Secretary, Midwestern Zone (III), NAIC
South Dakota Division of Insurance
Department of Revenue and Regulation
445 East Capitol Avenue
Pierre, SD 57501-3185

Honorable Scott Richardson
Secretary, Southeastern Zone (II), NAIC
State of South Carolina
Department of Insurance
1201 Main Street, Suite 1000
Columbia, SC 29201

Honorable Thomas R. Sullivan
Secretary, Northeastern Zone (I), NAIC
State of Connecticut Insurance Department
Post Office Box 816
Hartford, CT 06141-0816

Honorable Morris J. Chavez
Secretary, Western Zone (IV), NAIC
Department of Insurance
State of New Mexico
Post Office Box 1269
Santa Fe, NM 87504-1269

Honorable Matthew Denn, Commissioner
Delaware Department of Insurance
841 Silver Lake Boulevard
Dover, Delaware 19904

Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority Number 07-003, dated October 23, 2006, an examination has been made of the affairs, financial condition and management of the

METLIFE INVESTORS USA INSURANCE COMPANY

hereinafter referred to as “Company” or “MLIUSA”, incorporated under the laws of the State of Delaware with its home office located at 222 Delaware Avenue, Suite 900, Wilmington, Delaware. The examination was conducted at the executive and administrative office of the Company, located at 18210 Crane Nest Drive, Tampa, Florida.

The report of such examination is submitted herewith.

SCOPE OF EXAMINATION

The last examination of the Company was conducted as of December 31, 2003. This examination covered the period from January 1, 2004 through December 31, 2006, and consisted of a general survey of the Company's business practices and policies; management, any corporate matters thereto; a verification and evaluation of assets and a determination of liabilities. Transactions subsequent to the latter date were reviewed where deemed necessary.

The report is presented on the exception basis. It is designed to set forth the facts with regard to any material adverse findings disclosed during the examination. The text will explain changes wherever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were thoroughly discussed with responsible personnel and/or Company officials during the course of the examination.

The examination followed the general procedures established by the National Association of Insurance Commissioners' (NAIC) Committee on Financial Condition Examiners Handbook and generally accepted insurance examination standards. In accordance with the aforementioned Handbook, the consulting firm of INS Services, Inc. performed an information systems review.

In addition to items hereinafter incorporated as a part of the written report, the following were checked and made part of the work papers of this examination:

Corporate Records
Fidelity Bond and Other Corporate Insurance
Salary, Wage, and Employee Benefits
NAIC Financial Ratios
Legal Actions
All Asset and Liability items not mentioned

The 2006 examination was conducted by the Delaware Department of Insurance in accordance with the Association Plan of Examination Guidelines established by the National

Association of Insurance Commissioners. No other states participated in the examination. In addition to the Company, a concurrent examination was performed on Metropolitan Tower Life Insurance Company, also a Delaware domestic insurance company.

Work papers prepared by the Company's external accounting firm, Deloitte & Touché (D&T) LLP, New York, New York, in connection with the annual audit, were reviewed and relied upon to the extent possible.

INS Consultants, Inc. was retained by the Delaware Insurance Department to assist the Examiner-in-Charge in the actuarial phase of this examination.

HISTORY

The Company was incorporated on September 13, 1960 under the laws of the State of Delaware and commenced business on March 10, 1961. Since its inception, the Company has undergone several name and organizational changes.

On October 30, 1997, the Company was sold to Metropolitan Life Insurance Company (MLIC), a New York domiciled life insurance company, by its former parent, London Insurance Group, Inc. MLIC changed the name of the Company from Security First Life Insurance Company to the present name on January 8, 2001.

On January 29, 2001, the holding company's name was changed to MetLife Investors Group, Inc. (MLIG) and was subsequently acquired on December 31, 2002 by MetLife, Inc., (MetLife), MLIC's parent.

On October 11, 2006, Metropolitan Insurance Company of Connecticut (MICC) and MLIG, both wholly owned subsidiaries of MetLife, Inc., entered into a Transfer Agreement, pursuant to which MICC acquired all of the outstanding stock of the Company.

CAPITALIZATION

The Company is authorized to issue 15,000 shares of common capital stock having a par value of $200 per share of which 11,000 shares are issued and outstanding totaling $2,200,000. In addition, $100,000 was transferred in the year 1999 from gross paid-in and contributed surplus to common stock for a total paid up capital of $2,300,000.

The Company's preferred capital stock is represented by 200,000 shares of $1 par value, 6% non-cumulative preferred stock authorized, issued, and outstanding. The preferred stock is non-callable.

At December 31, 2004, MetLife Investors Group, Inc. (MLIG), a Delaware company, owned all shares (common and preferred). On October 11, 2006, Metropolitan Insurance Company of Connecticut (MICC), a Connecticut corporation, and MLIG entered into a Transfer Agreement, pursuant to which MICC acquired all of the outstanding stock of the Company. All outstanding shares of the Company's stock remained owned by MICC as of December 31, 2006.

During the period covered by this examination, gross paid-in and contributed surplus increased $616,673,533 from $98,046,959 in 2003 to $714,720,492 as of 2006. The increase for the period is illustrated in the following schedule:

Ending Balance as of December 31, 2003	$ 98,046,959
2004: Capital Contribution from MLIG	$300,000,000
2006: Capital Contribution from MICC	150,000,000
Capital Contribution from MLIG	166,673,533
Ending Balance as of December 31, 2006	$714,720,492

Dividends to Stockholders

There were no dividends declared or paid to the stockholder of record during the three-year period of examination ending December 31, 2006.

MANAGEMENT AND CONTROL

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers are exercised by or under the direction of the Board of Directors (Board). The bylaws provide that the number of directors is to be established by the Board of Directors or by action of the stockholders and consist of not less than six members. Directors are elected annually and hold office until the first annual meeting of stockholders or until their successors have been elected and qualified. Interim vacancies may be filled by vote of the directors then in office, which may be less than a quorum. A majority of the Board of Directors constitutes a quorum for the transaction of business.

Regular meetings of the Board of Directors may be held without notice at a time and place from time to time as determined by the Board. The President, on five days' notice to each director, may call special meetings; the President or Secretary may call special meetings on the written request of two directors.

The minutes of the meetings of the Stockholder and Board of Directors, which were held during the period of examination were read and noted. Attendance at meetings, election of directors and officers, and approval of investment transactions were also noted. Receipt by the Board of Directors of the Report on Examination as of December 31, 2003 was noted in the minutes of the Board of Directors as of February 21, 2006.

Members of the Board of Directors, duly elected in accordance with the Company's bylaws and serving as of December 31, 2006, were as follows:

Name	Principal Affiliation
James Patrick Bossert	Vice President and Chief Financial Officer of MetLife Group, Inc.; Director of MetLife Reinsurance Company of Charleston; Executive Vice President and Director of MetLife Investors Group, Inc.; and of the Company
Susan Ann Buffum	Managing Director (Officer) of MetLife Group, Inc.; and Director of the Company
Michael Kevin Farrell	Executive Vice President of MetLife Group, Inc.; Director and President of MetLife Insurance Company of Connecticut; Chairman of the Board, President and Chief Executive Officer of Met Life Investors Group, Inc.; and of the Company
Margaret Claire Fechtmann	Executive Vice President of MetLife Group, Inc.; Director of the Company
Elizabeth Mary Forget	Executive Vice President, Chief Marketing Officer, Director of MetLife Investors Group, Inc.; Vice President of MetLife Group, Inc., Vice President of MetLife Insurance Company of Connecticut; and Director of the Company
George Foulke	Vice President of MetLife Group, Inc.; Director of the Company
Richard Carl Pearson	Associate General Counsel of MetLife Group, Inc.; Executive Vice President, General Counsel, Secretary and Director of MetLife Investors Group, Inc.; Director of the Company
Paul Anthony Sylvester	Director of MetLife Investors Group, Inc.; Director of the Company
Jeffrey Alan Tupper	Senior Vice President and Treasurer of MetLife Group, Inc.; Assistant Vice President, Director of the Company

Committees of the Board of Directors

Members of the Board of Directors served on the following committees as of December 31, 2006:

<u>Executive Committee</u>
Michael Kevin Farrell
Richard Carl Pearson
Paul Anthony Sylvester

<u>Audit Committee</u>	<u>Investment Committee</u>
Michael Kevin Farrell	Michael Kevin Farrell
Richard Carl Pearson	Richard Carl Pearson
Paul Anthony Sylvester	Paul Anthony Sylvester
Jeffrey Alan Tupper	Susan Ann Buffum

<u>Officers</u>

The bylaws provide that the Board of Directors, consisting of a President, Vice-President, Secretary, Treasurer, chooses the officers of the Company and other officers with titles set by resolution of the Board of Directors.

The principal elected officers of the Company serving as of December 31, 2006, were as follows:

<u>Officer</u>	<u>Title</u>
Michael Kevin Farrell	Chairman of the Board, President and Chief Executive Officer
James Patrick Bossert	Executive Vice President and Chief Financial Officer
Richard Carl Pearson	Executive Vice President, General Counsel, and Secretary
Kevin James Paulson	Senior Vice President
Anthony James Williamson	Treasurer
Charles Vincent Curcio	Vice President – Finance
Brian Christopher Kiel	Vice President and Appointed Actuary

During the period of review, most of the actions taken by the Board were by written consent in lieu of holding Board meetings.

HOLDING COMPANY SYSTEM

MLIG is a wholly owned subsidiary of MetLife. On October 11, 2006, MICC, a Connecticut corporation and a subsidiary of MetLife, and MLIG entered into a Transfer

Agreement, pursuant to which MICC acquired all of the outstanding stock of the Company from MLIG. Prior to October 11, 2006, the Company was a wholly owned subsidiary of MLIG.

MLIUSA is a Delaware domiciled life insurance company. The Company markets, administers, and insures a broad range of term life and universal life insurance policies and variable and fixed annuity contracts. The Company is licensed to do business in 49 states, the District of Columbia, and Puerto Rico.

An abbreviated organizational chart setting forth the Holding Company System of which the Company was a member as of December 31, 2006 follows:

- MetLife, Inc.
  - Metropolitan Tower Life Insurance Company, DE
    - MetLife Reinsurance Company of Charleston
    - TH Tower NGP, LLC
      - Partners Tower, L.P. (1%)
    - Partners Tower, L.P. (99%)
    - TH Tower Leasing, LLC *(Joint owned by MTL & Partners Tower, L.P.)*
  - MetLife Insurance Company of Connecticut
    - **MetLife Investors USA Insurance Company, DE**
  - MetLife Group, Inc.
  - Metropolitan Life Insurance Company, NY
    - New England Life Insurance Company
      - GenAmerica Financial, LLC
        - General American Life Insurance Company
          - Reinsurance Group of America, Inc.
            - RGA Reinsurance Company, MO
  - COVA Corporation
    - Texas Life Insurance Company
  - MetLife Reinsurance Company of South Carolina
  - MetLife Investment Advisors Company, LLC

MANAGEMENT AND SERVICE AGREEMENTS

The Company was party to numerous inter-company agreements, which were disclosed in the Form B Registration Statement filings with the Delaware Department of Insurance.

The following agreements were entered into prior to the period covered by this examination and remained in effect as of December 31, 2006.

Description	**Effective Date**
Administrative Services Agreement with MLIC	March 1, 1998
Administrative Services Agreement with MLIC	July 1, 1998
Metropolitan Money Market Pool Partnership Agreement (MMMP)	September 30, 1999
Investment Management Agreement with MLIC	January 1, 2001
Principal Underwriter's and Selling Agreement with MetLife	January 1, 2001
Investors Distribution Company (MLIDC)	January 1, 2002 amended
Shareholder Services Agreement (MLIDC)	January 1, 2002
Partnership Agreement – Intermediate Income Pool	June 1, 2002
Services Agreement with MetLife Group (MLG)	January 1, 2003
Master Services Agreement with MLIC	December 31, 2002

The above agreements have previously been reviewed; however, balances associated with the above agreements as of December 31, 2006 were reviewed as part of this examination.

Agreements entered into during the period covered by this examination and remaining in effect are summarized as follows:

Marketing Agreement

Pursuant to the agreement with New England Life Insurance Company (NELICO), effective May 1, 2004, the Company will offer certain of its insurance products to NELICO for sale through its agency sales force and through contracted agents of New England. The Company will pay compensation to NELICO for the sale of its products.

Marketing Agreement

MLIC entered into a Marketing Agreement with the Company, effective May 1, 2004, whereby the Company will offer certain of its insurance products to MLIC for sale through its agency sales force and through contracted agents of MLIC.

Wholesale Sales Agreement

Under an agreement with NELICO and MetLife Investors Distribution Company (MLIDC), effective November 20, 2004, the affiliated companies distribute products issued by the Company on a wholesale basis. In 2006 a total of $6,790,324 was paid to the affiliated companies in accordance with the terms of the agreement.

Tax Allocation Agreement

The Company, MICC, and its consolidated subsidiaries entered into a Tax Allocation Agreement, effective July 1, 2005, as a result of the change in the immediate parent from MLIG to MICC. In no event will the Company pay more than what it would have paid if it had filed on a separate return basis.

Marketing Agreement

The Company and MetLife Life & Annuity Company (MLAC) (formerly Travelers Life & Annuity Company) entered into a Marketing Agreement, effective September 8, 2005, whereby certain life insurance and annuity policies issued by MLAC are sold by the Company to individuals and business entities by and through its contracted agents.

Wholesale Sales Agreement

The Company and other affiliates have a wholesale sales agreement with Travelers Distribution, LLC for the distribution of traditional fixed rate insurance products and variable products. This agreement was effective September 20, 2005.

Loan Participation Agreement

Under an agreement with MLIC, effective December 1, 2005, the Company may acquire participation interests in loans originated by MLIC, which may be secured by agricultural or commercial real and/or personal property. The agreement sets forth the conditions of all sales, assignments, and transfers to the Company of participation interests in a loan. The amount of loan participation in 2006 was $42,270,360.

Administrative Services Agreement

Under the agreement with MLIC, effective January 1, 2006, MLIC will administer the Company's retained asset account (funds held account) for supplemental contract liabilities certain, issued on life insurance policies and annuity contracts to provide payments to the beneficiary.

Marketing Agreement

The Company entered into a marketing agreement with General American Life Insurance Company (GALIC) effective January 1, 2006. The agreement calls for the Company to make its products available to GALIC, whereby GALIC contracted agents will distribute the Company's products in order to increase its sales volume on a profitable basis.

During the period under examination, the above affiliated agreements were filed with and approved by the Delaware Department of Insurance.

The Company was not able to provide an agreement to support the intercompany transaction with MetLife General Insurance Agency, Inc. (formerly Enterprise General Insurance Agency) as of December 31, 2006. As a result, the Company was not in compliance with 18 Del. C. § 5005 (a)(2)(d).

It is recommended that the Company not enter into any management agreements, service contracts or cost-sharing arrangements with affiliates without 30 days prior notification in writing to the Commissioner of its intention in accordance with 18 Del. C. § 5005 (a)(2)(d).

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2006, the Company was licensed to transact the business of insurance in the District of Columbia, Puerto Rico, and all states except New York. The Company is authorized as a stock insurer to transact the business of life insurance, including annuities, variable annuities, and credit health insurance as defined in 18 Del. C. § 902 and 18 Del. C. § 903.

The principal office facilities of the Company are located in Newport Beach, California; Tampa, Florida; Long Island City, New York; Warwick, Rhode Island; and West Des Moines, Iowa.

Plan of Operation

Prior to 2002 the Company principally sold term life insurance written by agents of MLIC. During 2002, the Company began concentrating on fixed and variable annuity products to diverse niche markets, on both an individual and group basis. The change in product mix resulted in a decrease of direct written premiums of $4,541 million in 2004 to $3,535 million in 2005, and then an increase to $5,716 million in 2006.

The following highlights the marketing and sales of the Company's annuity products. As previously discussed, annuity marketing and sales are principally underwritten by MLIDC under a 2001 service agreement between the parties.

The Bank Financial Services division represents the principal operating division and is responsible for sales of individual annuities through arrangements with banks and other financial institutions. The Company offers single premium tax deferred annuities through financial institutions. The Company has banking relationships with national, regional, and community banks on a nationwide basis. Distribution of the Company's products occurs through two distinct groups, including a direct network that offers annuity products for broker/dealers and regional financial institutions. The second group is a fully integrated financial services program that includes annuities, mutual funds, and life insurance products of MLIC and its subsidiaries, while providing sales, marketing, and administrative support to the banks.

The Public Services division offers flexible payment tax-deferred annuities to government and education employees through payroll deductions via a career agency system. The flexible annuities are marketed to employees of states, county municipalities, public school systems and charitable organizations. The Company is particularly strong in California, Florida, Pennsylvania, and Texas, with active marketing efforts to over 2,000 school district payroll slots in these areas. The Company is also active in the government deferred compensation market, which includes governmental entities such as municipalities, counties, and states, providing full service as well as third party administration for the government employee market. The business is qualified under Section 403(b) of the Internal Revenue Code, which allows participants to set aside income on a pretax basis with tax-deferred accumulation. The products are marketed as 457 and 401(k) plans.

The Company has an exclusive selling arrangement in the state of Texas, and is very active in the state of Florida, writing over $518 million in annuities on a direct basis. As of

December 31, 2006, it is one of the primary issuers of annuities to the state's deferred compensation plan. Operations are organized on the general agency plan.

A summary of premiums and annuity considerations for 2006 is described as follows:

	Ordinary Life Insurance	Ordinary Individual Annuities	Group Annuities	Totals
Direct	$366,707,562	$5,217,328,772	$132,826,041	$5,716,862,375
Reinsurance Assumed	225,762,540	46,164,844	0	271,927,384
Reinsurance Ceded	171,574,344	431,732,867	0	603,307,211
Net Premiums Written	$420,895,758	$4,831,760,749	$132,826,041	$5,385,482,548

As of December 31, 2006, approximately $4.3 billion of insurance in-force was co-insured to thirteen reinsurance companies, ten non-affiliated and three that are affiliated.

The Company is currently rated A+ (Superior) by A. M. Best Company and maintains top ratings with Moody's Investor Services and Standard and Poor's.

GROWTH OF COMPANY

The following financial information was extracted from the Company's filed Annual Statements and covers the three years from the last examination as of December 31, 2003 through December 31, 2006:

Year	Net Admitted Assets	Liabilities	Capital and Surplus	Premiums, Annuity Considerations, and Deposits	Net Income
2006	$24,029,259,139	$23,454,210,358	$575,048,781	$5,988,789,759	$(115,783,773)
2005	$18,807,764,610	$18,269,396,387	$538,368,223	$4,973,428,621	$(243,673,300)
2004	$14,589,557,733	$14,208,007,426	$381,550,307	$4,541,833,489	$(200,656,027)
2003	$10,697,186,334	$10,401,329,350	$295,856,984	$4,287,779,522	$ 101,209,867

For the period under review, net admitted assets increased 125%; liabilities increased by 125%; and capital and surplus increased by 94%.

Total assets for the Company increased $5.22 billion from 2005 to 2006 which was broken down as follows:

- a $110 million decrease in the General Account due primarily to a decrease in both bonds and short term investments.
- a $5.33 billion increase in the Separate Account from 2005 to 2006 due to the growth in variable annuity sales.

Total liabilities for the same period increased $5.18 billion which was broken down as a $150 million decrease in the general account and a $5.33 billion increase in the Separate Account due to the aforementioned.

At December 31, 2006, capital and surplus increased $37 million since year-end and $280 million since the previous exam period. These increases can be attributed to capital contributions from the Company's former and current parent, MLIG and MICC, respectively and is illustrated as follows:

- In 2004, the Company received cash capital contributions of $300 million from MLIG;
- In December 2006, MICC contributed $150 million into the Company.

Additionally, surplus notes totaling $400 million were issued in 2005 to help fund the strain related to the GALIC and Exeter treaties.

Premiums and annuity considerations increased $1.02 billion from 2005 to 2006 and $1.70 billion since the previous exam period. Additionally, the Company operated with a net loss of $116 million as of December 31, 2006, compared to a net loss of $244 million for the same period in 2005. These increases were both primarily due to the growth in variable annuity products and are partially offset by the 2006 and 2005 affiliated reinsurance agreements.

REINSURANCE

The following describes the Company's reinsurance program as of December 31, 2006.

Assumed

The Company assumed life insurance business from two affiliates; General American Life Insurance Company (GALIC) and Mitsui Sumitomo MetLife Insurance Company (Mitsui).

The Company assumed, on a coinsurance basis, 100% of GALIC's liabilities on universal life insurance policies with secondary guarantees, certain joint survivorship policies, and certain term insurance policies issued on or after January 1, 2000. The Company then retrocedes, on a coinsurance basis and quota share basis, 100% of the liabilities related to secondary guarantee risk assumed from GALIC on universal life insurance policies with secondary guarantees to Exeter Reassurance Company, an affiliate. Base policy risks unrelated to secondary guarantees are either retained by the Company or ceded to third party reinsurers.

The Company assumed 100% of the retained portion of the liabilities under death and living benefit guarantees associated with certain variable annuity contracts issued by Mitsui. The Company then retrocedes 100% of the Mitsui business it assumes to Exeter Reassurance Company.

Reinsurance premiums assumed for the year 2006 were $271,927,385 and reserves assumed were $1,919,351,123.

Ceded

The Company reinsures its business through a diversified group of reinsurers. No single unaffiliated reinsurer has a material obligation to the Company, nor is the Company's business substantially dependent upon any reinsurance contracts.

The Company retains up to $100,000 per individual life. The Company reinsures 90% of its new production of fixed annuities to an affiliate. The Company also reinsures 100% of the riders containing benefit guarantees related to variable annuities to an affiliate. As of December 31, 2006, the Company's reserve credit taken for all of its ceded business was $3,212,165,703.

The Company cedes individual life and annuity business to three affiliates and numerous non-affiliates. The total premium ceded amount of $603,307,213 was comprised of premiums ceded to affiliates and non-affiliates in the amounts of $558,147,097 and $45,160,116, respectively. Approximately 92.5% of the Company's ceded premium was ceded to affiliates. The Company's business was ceded under various yearly renewable term, automatic and facultative coinsurance, and indemnity quota share agreements.

The Company also ceded business to two unauthorized reinsurers. One of the unauthorized reinsurers, Exeter Reassurance Company (Exeter), was an affiliate of the Company. The Company reported a reserve credit for business ceded to Exeter of $1,417,228,940 at December 31, 2006. The Company had letters of credit and trust agreements from Exeter that collateralized the reserve credit taken by the Company for 2006.

The Company also ceded business to an unauthorized reinsurer, Union Hamilton Reinsurance Limited (Union), on December 31, 2006. The Company reported a reserve credit for business ceded to Union of $140,754,297 on December 31, 2006. The Company had trust agreements and funds deposited and withheld from Union that collateralized the reserve credit taken by the Company for 2006.

The letters of credit and the trust agreements from the two unauthorized reinsurers were reviewed and were determined to comply with the requirements of 18 Del. Admin. Code 1003 and the NAIC Accounting Practices and Procedures Manual, SSAP No. 61.

During the review of the Company's 2006 Annual Statement Schedule S – Part 3 – Section 1, it was determined that the Company did not have a signed reinsurance contract in effect at December 31, 2006 with RGA Reinsurance Company, in accordance with 18 Del. Admin. Code 1000 §5.1 and 18 Del. Admin. Code 1000 §5.2. The Company signed this contract during the course of this examination. The reserve credit taken by the Company for this contract was $1,234,923 and was deemed immaterial. No change was made to the Company's 2006 financial statements.

ACCOUNTS AND RECORDS

Pursuant to the Services Agreement with MLG, MLG provides the services and personnel necessary for the Company to conduct its operations. The review of accounts and records during the examination included an evaluation of the Company's operational and organizational controls. The areas evaluated included computer and accounting systems, organizational structure, and the information processing structure. The Company's accounts and records are maintained in Long Island City, New York; Tampa, Florida; Morristown, New Jersey; and Warwick, Rhode Island. The Company utilizes MetLife's data center located in Rensselaer, New York for processing, updating, and storing the primary records and the Scranton Information System Center in Scranton, Pennsylvania for the mainframe print and output-processing environment of the Company.

A high-level assessment of the internal control structure and process for the Company's accounting and computer systems was discussed with management and reviewed after completion of questionnaires developed by the NAIC and the Delaware Department of Insurance. The discussions and review did not reveal any material deficiencies in the Company's internal control structure.

An external accounting firm audits the statutory-basis financial statements of the Company annually. The Company's external accounting firm reviewed the internal control structure in order to establish the necessary audit procedures required to express an opinion on the December 31, 2006 financial statements. No significant or qualifying deficiencies were found to exist in the design or operation of the internal control structure. The Company's records are also subject to review by MLG's internal audit department.

Based on the examination review of the filed Annual Statement, observations, and subsequent discussions with management, the accounting system and procedures generally conformed to insurance accounting practices and requirements.

FINANCIAL STATEMENTS

The following statements show the assets, liabilities, surplus, and other funds of the Company, as determined by this examination, as of December 31, 2006:

Analysis of Assets
Liabilities, Surplus and Other Funds
Summary of Operations
Capital and Surplus Account
Analysis of Assets – Separate Accounts
Liabilities and Surplus – Separate Accounts
Analysis of Examination Changes

It should be noted that the various schedules and exhibits may not add to the totals shown due to rounding.

Analysis of Assets
December 31, 2006

	Ledger Assets	Nonadmitted Admitted	Net Admitted Assets	Notes
Bonds	$ 3,939,460,347		$ 3,939,460,347	1
Stocks:				
Preferred stocks	127,859,378		127,859,378	
Mortgage loans:				
First liens - mortgage loans on real estate	478,512,234		478,512,234	
Cash $2,010,697, cash equivalents $36,704,412 and short-term investments $4,189,659	42,904,768		42,904,768	
Contract loans	37,098,582		37,098,582	
Other invested assets	388,963,781		388,963,781	
Receivable for securities	1,534,213		1,534,213	
Aggregate write-ins for invested assets	29,783,995		29,783,995	
Total-Cash and invested assets	$ 5,046,117,298		$ 5,046,117,298	
Investment income due and accrued	54,904,904		54,904,904	
Uncollected premiums and agents' balances in the course of collection	57,074,272	$ 2,160,546	54,913,726	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	52,741,599		52,741,599	
Reinsurance:				
Amounts recoverable from reinsurers	7,697,435		7,697,435	
Other amounts receivable under reinsurance contracts	13,098,678		13,098,678	
Current federal and foreign income tax recoverable and interest thereon	120,437,744		120,437,744	
Net deferred tax asset	162,540,853	150,876,734	11,664,119	
Guaranty funds receivable or on deposit	846,553		846,553	
Electronic data processing equipment and software	30,838,722	30,838,722	0	
Receivables from parent, subsidiaries, and affiliates	51,303,082		51,303,082	
Aggregate write-ins for other than invested assets	162,630,515	162,630,515	0	
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	$ 5,760,231,655	$346,506,517	$ 5,413,725,138	
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	18,615,534,001	0	18,615,534,001	2
Totals	$24,375,765,656	$346,506,517	$24,029,259,139	

Liabilities, Surplus and Other Funds
December 31, 2006

		Notes
Aggregate reserve for life contracts	$ 4,308,262,622	3
Liability for deposit-type contracts	121,264,822	
Contract claims – Life	7,737,068	
Premiums and annuity considerations received in advance	1,031,749	
Other amounts payable on reinsurance	46,191,832	
Interest maintenance reserve	3,776,976	
Commissions to agents due or accrued – life contracts and annuity contracts	8,102,455	
Commission and expense allowances payable on reinsurance assumed	7,345,922	
General expenses due or accrued	4,085,803	
Transfers to Separate Accounts due or accrued	(698,207,920)	
Taxes, licenses and fees due or accrued, excluding federal income taxes	7,517,704	
Unearned investment income	6,466	
Amounts withheld or retained by Company as agent or trustee	2,445,150	
Remittances and items not allocated	28,591,680	
Borrowed money and interest thereon	7,022,378	
Asset valuation reserve	29,953,727	
Funds held under reinsurance treaties with unauthorized reinsurers	41,678,314	
Payable to parent, subsidiaries and affiliates	16,976,408	
Payable for securities	3,130,237	
Aggregate write-ins for liabilities	908,062,964	
Total liabilities (excluding Separate Accounts Statement)	$ 4,854,976,357	
From Separate Accounts Statement	$18,615,534,001	
Total liabilities	$23,470,510,358	
Common capital stock	2,300,000	
Preferred capital stock	200,000	
Surplus notes	435,000,000	
Gross paid in and contributed surplus	714,720,492	
Unassigned funds (surplus)	(593,471,711)	
Capital and surplus	$ 558,748,781	
Total	$24,029,259,139	

Summary of Operations
December 31, 2006

Premiums and annuity considerations for life and accident and health contracts	$5,385,482,548
Consideration for supplementary contracts with life contingencies	11,611,378
Net investment income	210,348,371
Amortization of interest maintenance reserve (IMR)	(1,163,493)
Commissions and expenses allowance on reinsurance ceded	16,929,936
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	303,503,695
Aggregate write-ins for miscellaneous income	97,783,565
Total Income	$6,024,496,000
Death benefits	$ 23,230,787
Annuity benefits	187,840,418
Disability benefits and benefits under accident and health contracts	77,527
Surrender benefits and other fund withdrawals	1,643,215,376
Interest and adjustments on contract or deposit-type contract funds	22,925,055
Payments on supplementary contracts with life contingencies	2,250,921
Increase in aggregate reserves for life and accident and health contracts	107,114,587
Commissions on premiums, annuity considerations, and deposits type funds	394,575,892
Commissions and expense allowances on reinsurance assumed	38,562,417
General insurance expense	219,288,246
Insurance taxes, license and fees, excluding federal income taxes	11,529,416
Increase in loading on deferred and uncollected premiums	4,865,884
Net transfers to or (from) Separate Accounts net of reinsurance	3,549,259,139
Aggregate write-ins for deductions	17,232,284
Total Expenses	$6,221,967,949
Net gain from operations before dividends to policyholders and federal income taxes	$ (197,471,949)
Federal and foreign income taxes incurred	(78,127,997)
Net gain from operations after dividends to policyholders and federal income tax and before realized capital gains or (losses)	$ (119,343,952)
Net realized capital gains or (losses) less capital gains tax	3,560,179
Net income	$ (115,783,773)

Capital and Surplus Account
December 31, 2005 to December 31, 2006

		Note
Capital and surplus, December 31, 2005	$ 538,368,224	
Net Income	$(115,783,773)	
Change in net unrealized capital gains or (losses)	(3,064,504)	
Change in net unrealized foreign exchange capital gain	275,152	
Change in net deferred income tax	87,646,893	
Change in nonadmitted assets and related items	(295,238,461)	3
Change in asset valuation reserve	258,479	
Paid in (surplus adjustments)	316,673,533	
Change in surplus as a result of reinsurance	12,706,026	
Aggregate write-ins for gains and losses in surplus	16,907,212	
Net change in capital and surplus	$ 20,380,557	
Capital and surplus, December 31, 2006	$ 558,748,781	

Analysis of Assets - Separate Accounts

As of December 31, 2006

	General Account Basis	Fair Value Basis	Total
Common stocks	$	$18,615,533,651	$18,615,533,651
Cash and cash equivalents			
Short-term investments			
Other invested assets			
Investment income due and accrued			
Aggregate write-ins for other than invested assets:			
Due from general account			
Total	$	$18,615,533,651	$18,615,533,651

Liabilities and Surplus - Separate Accounts

As of December 31, 2006

	General Account Basis	Fair Value Basis	Total
Aggregate reserve for life, annuity and accident and health contracts	$	$17,914,320,383	$17,914,320,383
Liability for deposit type contracts		2,958,725	2,958,725
Charges for investment management, administration and contract guarantees due or accrued		13,425	13,425
Other transfers to general account due or accrued		698,194,495	698,194,495
Payable for securities			
Aggregate write-ins for liabilities:			
Due to general account		46,973	46,973
Total	$	$18,615,534,001	$18,615,534,001

Schedule of Examination Adjustments

Account	Per Examination	Per Company	Surplus Increase (Decrease)	Note
Liabilities, Surplus and Other Funds				
Aggregate reserve for life contracts	$4,308,262,622	$4,291,962,622	$ (16,300,000)	3
Net Change in Surplus Per Examination			(16,300,000)	
Surplus per Company			$575,048,781	
Surplus per Examination			$558,748,781	

NOTES TO FINANCIAL STATEMENTS

1. Invested Assets $5,046,117,298

The Company reported invested assets of $5,046,117,298. These invested assets are comprised primarily of bonds and mortgage-backed securities (78%), mortgage loans (9.5%), and cash and short-term investments (1%). Approximately 95% of all bonds and mortgage-backed securities reported on Schedules D – Part 1, DA – Part 1, and Schedule E – Part 2 were rated as Class 1 or Class 2 by the NAIC.

2. Separate Accounts $18,615,534,001

The Separate Accounts held by the Company consisted of annuity reserves of $17,913,024,690, liability for deposit type contracts reserves of $2,958,725, miscellaneous reserves of $1,295,693 and other transfers and/or expenses of $698,254,893. Life contracts were comprised of variable annuity contracts. The assets of the separate accounts at December 31, 2006 were made up of mutual funds and are reported at market value. The assets and liabilities of the Separate Account were clearly identified and distinct from the general account assets and liabilities. As of December 31, 2006, 77% of the Company's total admitted assets were comprised of Separate Account assets.

3. Aggregate Reserve for Life Contracts **$4,308,262,622**

An independent review of aggregate reserves was performed by INS Consultants, Inc. (INS), Philadelphia, PA. As a part of the actuarial examination, INS reviewed the Company's Actuarial Opinion Memorandum (AOM) and the asset adequacy testing (AAT) for the years 2004 through 2006, focusing most heavily on the 2006 AOM and AAT. The analysis was performed as required by the Actuarial Opinion and Memorandum Regulation (AOMR).

As of December 31, 2006, MLIUSA held General Account (GA) reserves primarily for fixed deferred annuities and individual life insurance and Separate Accounts (SA) reserves for variable deferred annuities. GA and/or SA reserves were also held for smaller blocks of term life insurance and fixed and variable supplementary contracts.

The review included a verification of the accuracy of the underlying data used to calculate reserves. Samples of randomly selected policies from MLIUSA's business segments were used to test the validity of valuation data. Inclusion testing was also performed in order to ensure that valuation files are essentially complete. The inclusion testing indicated that the valuation files were complete. Validity testing indicated that there were data discrepancies for the EV15 deferred annuity contracts. However, INS concluded that these data discrepancies had no impact on reserves and no recommendation has been made to address these data inconsistencies.

Reserves were reviewed for compliance with standard valuation laws, applicable National Association of Insurance Commissioner (NAIC) Actuarial Guidelines and Model Regulations. Reserve trends and roll forward analyses were also performed and generally produced reasonable results. Reinsurance reserve credits were reviewed and appeared reasonable. Reserves for sampled policies were calculated by INS in accordance with standard actuarial practice.

The aggregate reserve for life contracts is reported on Page 3, Line 1 and Exhibit 5 of the December 31, 2006 Annual Statement. The reserve breakdown in Exhibit 5, by type of benefit, is as follows:

Reserve Segment	Total Gross	Reinsurance Ceded	Total (Net)
Life Insurance	$2,010,088,997	$854,248,208	$1,155,840,789
Annuities	4,766,633,666	1,813,607,936	2,953,025,730
Supplementary Contracts	111,585,682	3,056,206	108,529,476
Disability - Active Lives	3,545,708	0	3,545,708
Miscellaneous Reserves	609,181,817	538,160,896	71,020,921
Totals (Net)	$7,501,035,870	$3,209,073,246	$4,291,962,624

Further discussion and detail of each of the Exhibit 5 segments is found below.

Life Insurance (Net)..$ 1,155,840,789

The Exhibit 5, life insurance reserves can be broken down as follows:

Universal Life	$ 358,400,323
New Term	77,254,024
Old Term	16,924,449
Assumed Universal Life	1,515,826,138
Assumed Term	41,684,063
Total (gross)	$2,010,088,997
Reinsurance ceded	854,248,208
Total (Net)	$1,155,840,789

The primary risks associated with Exhibit 5 life business are adverse mortality, asset default and mismatching of asset and liability cash flows. These risks were reviewed by evaluating the 2006 AOM, whereby INS accepted such conclusions made by MLIUSA.

MLIUSA's life reserves are held for directly issued and assumed flexible premium universal life (UL) and term life contracts. MLIUSA's valuation files and workpapers supporting the above amounts were reviewed and found to be in order. A trend analysis was also performed and produced reasonable results.

UL business consists of individual flexible premium universal life contracts. This is a relatively new product with sales having commenced in 2004. The UL policy forms contain secondary guarantees including a provision which ensures that coverage remains in effect if the coverage continuation account is positive (sometimes referred to as a shadow account) and if cumulative premiums meet or exceed a defined cumulative minimum amount (sometimes referred to as a no-lapse premium provision). The above UL totals include reserves of $117,758 for riders providing supplementary benefits.

UL contracts are subject to the requirements of the Valuation of Life Insurance Policies Model Regulation (commonly referred to as “XXX”) which became effective for policies issued on or after January 1, 2000. These contracts are also subject to the requirements of Actuarial Guideline 38 (AG 38) which applies to all policies issued on or after January 1, 2003. The secondary guarantee reserves for UL contracts are calculated following the “XXX” methodology and AG 38. The total “XXX” reserve is reported in the life section of Exhibit 5. This includes both the base reserve (calculated according to the method as outlined in the UL Model Regulation) and the reserve for the secondary guarantee as calculated using “XXX” methodology.

During the reserve testing process, INS discovered an error in the determination of reserves for a block of second-to-die UL contracts. Reserves for such contracts were approximated as equal to 200% of the fund values associated with the contracts. In the fourth quarter of 2007, the valuation systems were modified to perform exact calculation of the reserves for these contracts. The results indicated that the correct reserve at December 31, 2006 for these contracts was in fact approximately 300% of the fund values, or an increase of approximately $50.0 million of gross reserves. This included $5.1 million of base reserves and additional reserves of approximately $44.9 million as required by AG 38 that would be reported in the miscellaneous section of Exhibit 5. This business includes portions of reserves equal to the AG 38 reserves, which are 75%, ceded to an unauthorized reinsurer. INS reviewed the revised results and accepted MLIUSA's conclusion that the life insurance reserves were understated by approximately $5.1 million.

It is recommended that the Company calculate reserves for second-to-die UL contracts using exact methods.

A reserve of $77,254,024 was held for term policies issued from 2004 through 2006 (New Term) and a reserve of $16,924,449 was held for term policies issued from 1998 through 2000 (Old Term). Both products provide guaranteed level premiums for an initial term period of 10, 15, 20 or 30 years. Beyond the initial term period, premiums increase annually on an attained age basis and are payable to attained age 95.

Effective January 1, 2005, MLIUSA entered into a coinsurance agreement with the GALIC whereby MLIUSA assumes 100% of GALIC UL policies with secondary guarantees and GALIC term policies. MLIUSA entered into reinsurance agreements with Exeter under which MLIUSA reinsures 100% of the secondary guarantee risk associated with the GALIC UL contracts.

INS calculated base and deficiency reserves for the assumed term contracts and verified the reserves without exception.

Based on the above analysis, INS concluded that the Exhibit 5 reserves for life contracts were understated by approximately $5.1 million.

Annuities

(Net).…………………………..$2,953,025,730

The Exhibit 5 annuity reserves can be broken down as follows:

EV15 deferred annuities	$2,803,380,092
EV15 riders	$143,733,009
MRPS deferred annuities	928,699,185
CV15 deferred annuities	761,900,868
Other group deferred annuities	39,109,362
Assumed annuity benefits	73,542,646
Immediate annuities	16,268,504
Total (gross)	$4,766,633,666
Reinsurance ceded	1,813,607,936
Total (Net)	$2,953,025,730

MLIUSA coinsures approximately 40% of annuity contract reserves primarily with MetLife. MLIUSA's valuation files and workpapers supporting the above amounts were reviewed and found to be in order. A trend analysis was also performed and produced reasonable results.

MLIUSA's primary risks for the annuity business segment reserves held in the general account relate to asset default and disintermediation risk.

MLIUSA values the variable deferred annuity (VDA) business using the Commissioners Annuity Reserve Valuation Method (CARVM). INS reviewed the reserves for compliance with NAIC Actuarial Guidelines (AG) 33, 34 and 39. Under AG 33, CARVM reserves must equal the greater of the cash surrender value and the greatest present value of future benefits under all possible benefit streams: annuitization, death and surrender.

During the examination, the examiners verified the underlying data for the sample contracts and several exceptions were noted. However, INS concluded that this did not adversely affect the reserve calculations and that the valuation data for VDA contracts was substantially free of any material error.

Some VDA products offer riders providing Guaranteed Minimum Death Benefits (GMDB) and Variable Annuity Guaranteed Lifetime Benefits (VAGLB) which include both Guaranteed Minimum Income Benefit and Guaranteed Minimum Withdrawal Benefits. The reserve of $143,733,009 reported in the annuity section of Exhibit 5 represents total rider reserves for the EV15 products.

EV15 rider reserves consisted of $126,597,448 for the Guaranteed Minimum Income Benefit (GMIB), $8,151,124 for the Earnings Preservation Benefit (EP), $4,694,027 for other VAGLB riders and $4,290,410 for the GMDB benefits. The GMIB rider provides living benefits in the form of a minimum monthly income benefit. The EP rider provides an additional death benefit equal to a percentage (up to 40% and varies according to the issue age) of the net gain in the policy, e.g. account value minus premiums net of withdrawals. The GMDB riders provide various death benefit floors. An explicit reserve was held in GA Exhibit 5 for VDA GMDB and appears to be in compliance with AG 34. An explicit reserve was held in GA Exhibit 5 for VDA VAGLBs and appears to be in compliance with AG 39.

VAGLB reserves are the accumulation of rider charges for the policies with these riders. The integrated reserve shown in Exhibit C for the EV15 samples refers to the base reserve plus the GMDB reserve for each contract but excludes any VAGLB reserves. Both GMDB and VAGLB reserves associated with the EV15 contracts appear in the annuity section of Exhibit 5.

The reserve for the MRPS and CV15 annuities refers to the base reserve only. The MRPS annuities are group contracts with no minimum death benefit provisions. INS concluded that the reported reserves were reasonable.

MLIUSA reported GMDB and VAGLB reserves in either the annuity or the miscellaneous reserve sections of Exhibit 5. However,

It is recommended that all GMDB and VAGLB reserves be shown in the miscellaneous section of Exhibit 5 as required by NAIC Annual Statement Instructions.

Other group deferred annuities refers to group reserves not included in the MRPS totals. The reserves represent the remaining balance under a terminated group plan that was cancelled in 2002 and moved to another life insurance company. As part of the settlement of the terminated plan, MLIUSA paid out the Separate Account fund value immediately upon termination and agreed to pay out the general account (guaranteed interest) fund balance monthly over five years. The payout stream for this block was projected over the remaining two years at a 4.5% interest rate. There are no individual policyholders associated with the reserve.

Effective April 1, 2005, MLIUSA entered into a reinsurance agreement with Mitsui. Under this treaty, MLIUSA assumes 100% of the GMDB ($24,923,547) and VAGLB ($48,619,099) reserves under certain annuity products offered by Mitsui. Reserve amounts in the annual statement were reconciled with the amounts obtained from the workpapers provided by MLIUSA. No discrepancies were noted. Actuarial Guideline 34 (AG 34) requires a stand-alone asset adequacy analysis of the total reserve held for variable annuity business with GMDB provisions. Actuarial Guideline 39 (AG 39) requires a stand-alone analysis of the VAGLB reserve held for all contracts with such provisions. All the fees and risks assumed from Mitsui are retroceded to Exeter and the net MLIUSA reserve for this business was $0.

Immediate annuities consist of contracts in the payout phase. Reserve amounts in the annual statement were reconciled with the amounts obtained from the valuation extracts provided by MLIUSA. No discrepancies were noted. Risks associated with the immediate annuities are low and as a result, no further substantive reserve testing was considered to be required for this business.

Based on the above discussion and analysis, INS concluded that the Exhibit 5 annuity reserve appears fairly stated.

Supplementary contracts with life contingencies (Net) $108,529,476

The reserve for this segment represents contracts in payout status, which involve life contingencies. MLIUSA reported gross reserves of $111,585,682 less reinsurance ceded reserve credits of $3,056,206. INS independently calculated the reserves for the sample contracts and verified the reserves without exception.

Based on the above analysis, INS concluded that the Exhibit 5 supplementary contract reserve appears fairly stated.

Disability – Active Lives (gross and net) ....$ 3,545,708

MLIUSA workpapers supporting the above amounts were reviewed and found to be in order. A trend analysis of the reserves was performed and produced reasonable results. Based on materiality, no further examination work was considered necessary. INS concluded that the above Exhibit 5 disability – active lives reserve appears reasonable.

Miscellaneous (Net) $71,020,921

The Exhibit 5 miscellaneous reserves can be broken down as follows:

Deficiency reserves for UL products	$189,224,834
Deficiency reserves for term products	419,184,196
GMDB reserves for variable annuities	772,787
Total (gross)	$609,181,817
Reinsurance ceded	538,160,896
Total (Net)	$ 71,020,921

MLIUSA workpapers supporting these reserves were reviewed and found to be in order. A trend analysis was performed for the Exhibit 5 miscellaneous reserve and produced reasonable results.

The deficiency reserves for UL policies consists of reserves established for direct written and assumed UL contracts with no-lapse guarantees. MLIUSA supplied detailed information supporting the calculation of the deficiency reserve as required by AG 38. INS reviewed MLIUSA's calculations and concluded that the reserve calculations do not always follow the procedures outlined in AG 38. AG 38 was revised in 2005 and requires a different methodology for policies issued on or after July 1, 2005. MLIUSA's actuary explained that there was an incorrect calculation of one of the adjustments prescribed in the AG 38 revisions. INS concluded that the effect of this error was to overstate the AG 38 reserve calculations and hence the numbers reported in the miscellaneous reserve section. MLIUSA's actuary also reported that this error was corrected in 2007. Since INS concluded that the error resulted in higher reserves than the statutory minimums and since this error has already been corrected, a recommendation was not made relating to the calculation error.

As mentioned and discussed previously in this report, INS discovered an error in the determination of reserves for a block of second-to-die UL contracts. The results indicated the need for additional gross miscellaneous reserves of approximately $44.9 million at December 31, 2006 as required by AG 38. The additional reserves are 75% ceded to an unauthorized reinsurer. MLIUSA indicated that they had an additional letter of credit capacity in excess of $120 million and that they would have been able to take credit for the additional reinsurance credit of $33.7 million ($75% of $44.9 million). The effect is that miscellaneous reserves net of reinsurance ceded were understated by the retained amount of approximately $11.2 million (25% of $44.9 million).

Current statutory regulations allow companies to use mortality assumptions for deficiency reserves, which are lower than the standard valuation mortality tables. This involves lowering the standard valuation mortality rates by percentages, which would result in mortality rates that better reflect the company's mortality experience. These percentages are referred to as "X-factors". In order to use X-factors, which are lower than 100%, the Company's appointed actuary must prepare an actuarial opinion and memorandum. INS reviewed the 2006 report for MLIUSA and concluded that the X-factors used for the purpose of calculating deficiency reserves are reasonable.

MLIUSA calculates a formula reserve for GMDB for VDAs and then tests the results using stochastic testing methodologies as prescribed by AG 34. The GMDB reserve of $772,787 includes additional reserves of $388,018, which were established as a result of this testing. The appointed actuary determined that this additional reserve was required by AG 34 and technically was not established as a result of the overall AAT performed.

Based on the above analysis, INS concluded that the Exhibit 5 miscellaneous reserves were understated by approximately $11.2 million.

Reinsurance Ceded ....$ 3,209,073,246

The following table shows a breakdown of the reinsurance ceded reserve credits taken by section within Exhibit 5 and by reinsurance type, as of December 31, 2006:

Reserve Segment	Coinsurance	YRT	Total
Life Insurance	$ 832,151,143	$22,097,065	$854,248,208
Annuities	1,813,607,936		1,813,607,936
Supplementary Contracts	3,056,206		3,056,206
Miscellaneous Reserves	538,160,896		538,160,896
Totals (Net)	$3,186,976,181	$22,097,065	$3,209,073,246

MLIUSA had reinsurance treaties with ten reinsurance companies at December 31, 2006. Several of these treaties became effective since the date of the last examination. During the course of the examination, INS reconciled reinsurance ceded reserve credits from Exhibit 5 to Schedule S, Part 3, Section 1 of the Annual Statement. No exceptions were noted.

INS reviewed the reinsurance treaties that became effective during the examination period and the appropriate reinsurance ceded reserve credits shown in Schedule S. INS' review indicated that the reinsurance agreements transfer risk and are in compliance with Delaware Insurance Regulation 1002.

INS reviewed the trend for the reinsurance credit from 2004 to 2006 and the trend appears reasonable, after taking into account increases over the period on account of new reinsurance treaties, specifically relating to significant retrocession amounts on assumed business.

Based on the above discussion and analysis, INS concluded that the above Exhibit 5 reinsurance reserve credits appear fairly stated.

Exhibit 5, Total (Net) (original) ....$ 4,291,962,622
Exhibit 5, Total (Net) (adjusted)...$ 4,308,262,622

Based on previous analyses and discussions, INS concluded that the aggregate reserve for life contracts as reported by MLIUSA on Page 3, Line 1 and in Exhibit 5 of the December 31, 2006 Annual Statement has been understated by $16.3 million and should be adjusted to $4,308,262,622. (Refer to pages 31 and 35)

L3. Liability for deposit-type contracts (Net) ………………..……………… $ 121,264,822

This reserve is reported on Page 3, Line 3 and in Exhibit 7 of MLIUSA's December 31, 2006 Annual Statement and was held for supplemental contracts and annuities certain. MLIUSA reported $124,357,278 (gross) liabilities less a reinsurance credit of $3,092,456. Files supplied by MLIUSA and supporting workpapers were reviewed and found to be in order. A trend analysis of this liability also produced reasonable results.

Based on the above discussion and analysis, INS concluded that the liability for deposit-type contracts as reported on Page 3, Line 3 and in Exhibit 7 of MLIUSA's December 31, 2006 Annual Statement appears fairly stated. It has been accepted for the purpose of this report.

L4.1. Contract claims – Life (Net) ……...…….…………………………… $ 7,737,068

This liability was reported on Page 3, Line 4.1 and in Exhibit 8, Part 1 of MLIUSA's GA statement. Net liabilities consisted of $132,010 for due and unpaid claims, $5,590,625 for claims in course of settlement (ICOS) and $2,014,434 for incurred but unreported (IBNR) claims.

The trend for due and unpaid claims and ICOS liabilities were reviewed for year ends 2004 through 2006 inclusive and appears reasonable. The due and unpaid claims and ICOS liabilities are inventory items which do not involve actuarial judgment. They were reviewed by the examiners and accepted as stated.

MLIUSA provided documentation describing the methods used to determine the IBNR liability for life business. Both the methodology and resulting IBNR amounts appear reasonable. The trend of the total IBNR liability on a gross and net basis from 2004 through 2006 was reviewed and the results appeared reasonable.

An analysis by INS of the amount of the IBNR liability in relation to the claims incurred in 2006 and the net amount at risk in effect at December 31, 2006 also supports the sufficiency of the IBNR liability. INS concluded that the IBNR liability for individual life insurance was sufficient.

Based on the above discussion and analysis, INS concluded that the Contract claims: Life liability as reported by MLIUSA on Page 3, Line 4.1 and in Exhibit 8, Part 1 appears fairly stated. It has been accepted for the purpose of this report.

L13. Transfers to separate accounts due or accrued ……………………… ($ 698,207,920)

This liability was reported on Page 3, Line 13 of MLIUSA's December 31, 2006 Annual Statement. The primary component of this item is the CARVM expense allowance for variable deferred annuity contracts. The balance is attributable to charges for investment management due or accrued.

The transfers to Separate Accounts due or accrued includes $698,195,009 of CARVM expense allowances for VDAs, which is the difference between the account values and the associated reserves held for such contracts in Exhibit 3 of the Separate Accounts Annual Statement. INS verified that the CARVM expense allowance is consistent with reported SA fund values and reserves. The balance of this liability is for charges for investment management which is an inventory item not involving actuarial judgment. It was reviewed by the examiners and based on materiality, accepted as stated.

The trend for the above item was reviewed for year ends 2004 through 2006 inclusive and appears reasonable. The entry on Page 3, Line 13 of the GA Annual Statement equals the parenthetical entry shown on page 3, Line 15 of the SA Annual Statement as of December 31, 2006, but with the sign changed. INS verified this for the reported numbers.

Based on the above discussion and analysis, INS concluded that the liability for other transfers to GA due or accrued (net), as reported on Page 3, Line 13 of the December 31, 2006 Annual Statement appears fairly stated. It has been accepted for the purpose of this report.

A13.1. Uncollected premiums and agents' balances in the course of collection.. $ 54,913,726
A13.2. Deferred premiums, agents' balances and installments booked but deferred and not yet due ……..…………………………..……..……..…… $ 52,741,599

These assets were reported on Page 2, Lines 12.1 and 12.2 of MLIUSA's 2006 Annual Statement. The uncollected premium asset reflects premiums that are due but not paid as of the valuation date. Net deferred premiums arise because MLIUSA holds mean reserves (which assume that a full annual premium is paid) for term contracts. This overstates the reserve unless premiums are paid annually. The net deferred premium is an offset to the mean reserve to reflect premiums that are due between the valuation date and the next contract anniversary.

	Uncollected Premiums	Deferred Premiums
Direct New Term	$ 858,133	$10,503,508
Direct Old Term	40,397	1,020,593
Annuity assumed	5,636,160	
UL assumed	44,429,367	
Term assumed	3,949,668	41,216,713
Unaccounted for	1	785
Totals	$54,913,726	$52,741,599

During the examination, MLIUSA valuation runs and supporting workpapers were reviewed to verify the asset balance. Deferred and uncollected premiums were examined for consistency by performing a trend analysis over the examination period. There was a large increase in both uncollected and deferred premiums in 2005 due to large amounts of reinsurance assumed initiated in 2005. Otherwise, the trends appear reasonable. INS reviewed reinsurance settlement statements and verified uncollected and deferred premiums for reinsurance assumed.

INS calculated uncollected and deferred premiums for policies used to verify the reserves for New Term policies. INS' calculation equals the net premium to be paid between the paid-to-date and the next anniversary date for each policy. The net premium is based on the premium calculated by INS for reserve purposes.

MLIUSA produces a policy-by-policy listing of uncollected and deferred premiums but does not indicate the valuation net premium or the paid-to-date for each policy, which is required to verify the asset. While overall uncollected and deferred premiums calculated by INS for policies were very close to MLIUSA's values, results for individual policies varied, sometimes significantly. In each instance INS was unable to compare the net premium as calculated by INS to that determined by MLIUSA. The determination of the net premiums used is made difficult due to the complicated calculation requirements of the Valuation of Life Insurance Policies Model Regulation. Despite the erratic results for individual polices, INS concluded that the uncollected and deferred net premium asset was reasonable.

The items reported on Page 2, Lines 13.1 and 13.2 are not reduced by uncollected or deferred premiums related to business that is ceded. These amounts are included as a liability and reported as a component of Line 9.3 on Page 3 (Other amounts payable on reinsurance).

Based on the above discussion and analysis, INS concluded that the asset for uncollected and deferred premiums as reported on Page 2, Lines 13.1 and 13.2 of MLIUSA's December 31, 2006 Annual Statement appears fairly stated. It has been accepted for the purpose of this report.

Conclusion

The actuary found inconsistencies in the methodologies, procedures, and assumptions used in the calculation of reserves for certain second-to-die UL contracts that did not comply with minimum valuation standards. The actuary estimated that aggregate reserves for life contracts appeared to be understated by approximately $16.3 million on account of these inconsistencies.

Minor data discrepancies were noted but these did not affect reserves. The balance sheet items enumerated are calculated using valuation parameters that appear to be substantially free of any material error that would adversely affect reserve calculations. Valuation extract files appear to be complete.

The recommended adjustment covered in the actuarial findings is accepted for this report.

COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The Company's compliance with prior examination recommendations was reviewed for each account in the current examination for which there was prior examination recommendations. All prior examination recommendations were either directly or indirectly addressed in the current examination. In the instances where the Company was not in compliance with the prior examination recommendation, a repeat recommendation was made in this report.

SUMMARY OF RECOMMENDATIONS

Management and Service Agreements - It is recommended that the Company not enter into any transactions without 30 days prior notification in writing to the Commissioner of its intention in accordance with 18 Del. C. § 5005 (a)(2)(d). (Page 12)

Life Insurance Reserves (Net) - It is recommended that the Company calculate reserves for second-to-die UL contracts using exact methods. (Page 29)

Annuity Reserves (Net) - It is recommended that all Guaranteed Minimum Death Benefits (GMDB) and Variable Annuity Guaranteed Lifetime Benefits (VAGLB) reserves be shown in the miscellaneous section of Exhibit 5 as required by NAIC Annual Statement Instructions. (Page 32)

CONCLUSION

As a result of this examination, the financial condition of the Company as of December 31, 2006 was determined to be as follows:

Admitted assets	$24,029,259,139
Liabilities	$23,470,510,358
Capital and surplus	558,748,781
Total	$24,029,259,139

Since the last examination as of December 31, 2003, total assets have increased $13,332,072,805. Liabilities have increased $13,069,181,008, and capital and surplus have increased $262,891,797 in the same period.

ACKNOWLEDGMENT

The cooperation and assistance rendered by the officers and employees of the Company during the course of the examination are hereby acknowledged.

In addition to the undersigned, Patricia Casey Davis, CFE, CPA; Frank Brooks, CFE; Hails Taylor, CFE; Greg Taylor, CFE; Gwendolyn J. Douglas, CFE, CIE; Robert McGee, CFE; Katie Seamon, CFE; Matt Perkins, CFE; Bethaney Ryals, Mary Craig Misenheimer, James Boswell, CCP; and Paul Berkebile, CFSA, INS Services, Inc. participated in portions of the

examination. Joseph C. Higgins, Jr., FSA, MAAA, INS Consultants, Inc. completed the actuarial portion of this examination.

Don Hollier, CFE
Examiner in Charge
Department of Insurance
State of Delaware
Northeastern Zone, NAIC

SUBSEQUENT EVENTS

Effective December 31, 2007, the Company entered into a reinsurance agreement to cede an in force block of business to MetLife Reinsurance Company of Vermont (MRV) on a 90% coinsurance funds withheld basis. This agreement covered certain term and certain universal life policies that were issued by the Company in 2007. As a result of this treaty, aggregate reserves were reduced by $855,671,339, the Company recorded a funds withheld liability of $222,989,390, and net income increased $628,764,722.

Also, effective December 20, 2007, the Company recaptured two in force blocks of business previously ceded to Exeter, an affiliate. The recaptured business consisted of (i) universal life secondary guarantee risk assumed from GALIC, an affiliate, and (ii) universal life secondary risk written by the Company. Concurrently, the Company ceded the same business to MRV, an affiliate. As a result of this cession, aggregate reserves decreased $1,422,387,576 and net income increased $236,413,439. Also, the Company deferred a gain on the transaction totaling $927,972,083 that is included in capital and surplus.

On December 27, 2007, the Company received a capital contribution of $250,000,000 from its parent MICC.